

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Flushing	County Genesee
Fiscal Year End 03/31/07	Opinion Date 6/15/07	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number 810-767-5350		
Street Address 111 E Court Street, Suite 1A		City Flint	State MI	Zip 48502
Authorizing CPA Signature 		Printed Name Tadd Harburn		License Number 1101014134

**Charter Township of Flushing
Genesee County, Michigan**

Financial Report

with Supplemental Information

March 31, 2007

Charter Township of Flushing, Michigan
Financial Report
March 31, 2007

Table of Contents

	<u>Page</u>
Introductory Section:	
List of Principal Officials	1
Financial Section:	
Report Letter	2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10-11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12-13
Reconciliation of the Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15-16
Reconciliation of the Statement of Revenues Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Fund:	
Statement of Net Assets	18
Statement of Revenues, Expenses and Changes in Fund Net Assets	19
Statement of Cash Flows	20

Charter Township of Flushing, Michigan
Financial Report
March 31, 2007

Table of Contents – (continued)

	<u>Page</u>
Basic Financial Statements: - (continued)	
Fund Financial Statements: - (continued)	
Fiduciary Funds:	
Balance Sheet – Agency Funds	21
Notes to the Financial Statements	22-36
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	37
Budgetary Comparison Schedule – Law Enforcement Special Revenue Fund	38
Budgetary Comparison Schedule – Solid Waste Special Revenue Fund	39
Notes to Required Supplemental Information	40
Other Supplemental Information:	
Fund Descriptions.....	41
Nonmajor Governmental Funds:	
Combining Balance Sheet – Special Revenue Funds	42-43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Special Revenue Funds	44-45
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Funds	46-48

Introductory Section

Financial Report

Charter Township of Flushing

List of Principal Officials

March 31, 2007

Andrew Trogot, Supervisor

Julia A. Morford, Clerk

Carl G. Liepmann, Treasurer

Ann L. Fotenakes, Trustee

Scott Minaudo, Trustee

Barry Pratt, Trustee

Ida M. Reed, Trustee

Financial Section



Plante & Moran, PLLC

Suite 1A

111 E. Court St.

Flint, MI 48502

Tel: 810.767.5350

Fax: 810.767.8150

plantemoran.com

Independent Auditors' Report

The Honorable Members
of the Township Board of the
Charter Township of Flushing
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Flushing, Michigan (Township) as of and for the year then ended, March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Flushing, Michigan, as of March 31, 2007, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit information and we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Flushing's basic financial statements. The introductory section and accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Plante & Moran, PLLC

June 15, 2007

Management's Discussion and Analysis

Charter Township of Flushing Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Flushing's financial performance provides an overview the Township's financial activities for the year ended on March 31, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in the discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2007:

- The Township's Total Net Assets are \$11.6 million, with unrestricted net assets of \$2.5 million.
- During the year, the Township's expenses were \$98,981 more than the \$3,312,661 generated in taxes and other revenues for governmental activities.
- General fund revenues exceeded expenses by \$81,670.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - * The governmental fund statements tell how general government services like public safety and public service were financed in the short term as well as what remains for future spending.
 - * Proprietary fund statements offer short- and long-term financial information about the water and sewer system that the government operates like a business.
 - * Fiduciary fund statements provide information about the financial relationships where the Township acts as an agent, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Table 1 summarizes the major features of the Township’s financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Table 1 Major Features of Charter Township of Flushing’s
Government-wide and Fund Financial Statements
Fund Statements**

<u>Type of Statements</u>	<u>Government-wide</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire Township government (except fiduciary funds)	The activities of the Township that are not proprietary or fiduciary, such as police, fire, and parks	Activities the Township operates similar to private businesses: the water and sewer system	Instances in which the Township is the trustee or agent for someone else’s resources
Required financial statements	Statement of net assets Statement of activities	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Agency funds statement of assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the Township’s funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	Increases and decreases to assets and liabilities

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets – the difference between the Township's assets and liabilities – is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and the condition of the Township's roads.

The government-wide financial statements of the Township are divided into two categories:

- Governmental activities – Most of the Township's basic services are included here, such as the police, fire, public works, parks, and general administration. Property taxes and state and federal grants finance most of these activities.
- Business-type activities – The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is the only business-type activity.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds – not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

- Governmental funds – Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between the two sets of statements. The Township has the following governmental funds; general fund, law enforcement fund, solid waste fund, DARE fund, parks and recreation fund, drug law enforcement fund, building department fund and community development fund.
- Proprietary funds – Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The Township has only one proprietary fund, the Water and Sewer Enterprise Fund. In fact, the Township's water and sewer enterprise fund (one type of proprietary fund) are the same as its business-type activities, but the water and sewer fund financial statements provide more detail and additional information, such as cash flows.

- **Fiduciary funds** – The Township is the fiduciary, for assets held on the behalf of others. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township’s fiduciary activities are reported in a separate agency fund balance sheet. We exclude these activities from the Township’s government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis of the Township as a Whole

Governmental Activities

The Township’s governmental revenues were \$3.3 million this year. Property taxes were \$1.1 million or 33% of the total revenues. State revenue sharing made up \$722,377 or 22% of the total revenue. The remaining 45% of governmental activity revenues are comprised mostly of charges for services, grants and contributions, and franchise fees.

Business-Type Activities

Operating revenues of the Township’s business-type activities increased \$71,822 from the prior year of \$1,003,732 to the current year total of \$1,075,554. Operating expenses increased by \$211,715. The major factor contributing to the increase in expenses is additional administrative costs from the general fund for years 2000-2005 an increase of \$330,026 offset by a decrease in the depreciation in the amount of \$100,852 that amount was the change in useful lives and was a one time increase. Net changes from non-operating activities increased from revenue of \$174,471 to a revenue of \$652,927, including contributions from residents for capital improvements and donated sewer line. This increase was due mainly to special assessments for two water lines and donated sewer line.

Charter Township of Flushing’s Net Assets						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$1,193,443	\$1,296,384	\$2,214,744	\$2,196,619	\$ 3,408,187	\$ 3,493,003
Capital assets	1,641,554	1,554,292	6,899,571	6,594,276	8,541,125	8,148,568
Total assets	\$2,834,997	\$2,850,676	\$9,114,315	\$8,790,895	\$11,949,312	\$11,641,571
Long-term liabilities						
outstanding	\$ 78,354	\$ 149,152	\$ -	\$ -	\$ 78,354	\$ 149,152
Other liabilities	157,233	109,174	149,467	145,947	306,700	255,121
Total liabilities	\$ 235,587	\$ 258,326	\$ 149,467	\$ 145,947	\$ 385,054	\$ 404,273
Net assets:						
Invested in capital assets, net of related debt	\$1,637,258	\$1,548,410	\$6,899,571	\$6,594,276	\$ 8,536,829	\$ 8,142,686
Restricted	552,148	582,540	-	-	552,148	582,540
Unrestricted	410,004	461,400	2,065,277	2,050,672	2,475,281	2,512,072
Total net assets	\$2,599,410	\$2,592,350	\$8,964,848	\$8,644,948	\$11,564,258	\$11,237,298

Charter Township of Flushing's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$1,090,515	\$ 814,743	\$1,075,554	\$1,003,732	\$ 2,166,069	\$ 1,818,475
Operating grants and Contributions	217,738	74,791	-	-	217,738	74,791
Capital grants and contributions	18,707	-	560,857	109,170	579,564	109,170
General revenues:						
Property taxes	1,137,503	1,048,639	-	-	1,137,503	1,048,639
Unrestricted earnings	829,780	868,935	92,070	65,301	921,850	934,236
Total revenues	<u>3,294,243</u>	<u>2,807,108</u>	<u>1,728,481</u>	<u>1,178,203</u>	<u>5,022,724</u>	<u>3,985,311</u>
Expenses:						
General government	834,121	701,549	-	-	834,121	701,549
Public safety	1,359,217	1,336,246	-	-	1,359,217	1,336,246
Public works	895,308	617,389	-	-	895,308	617,389
Recreation and culture	198,537	126,678	-	-	198,537	126,678
Sewer and water	-	-	1,408,581	1,196,866	1,408,581	1,196,866
Total expenses	<u>3,287,183</u>	<u>2,781,862</u>	<u>1,408,581</u>	<u>1,196,866</u>	<u>4,695,764</u>	<u>3,978,728</u>
Increase (decrease) in net assets	7,060	25,246	319,900	(18,663)	326,960	6,583
Net assets - April 1, 2006	<u>2,592,350</u>	<u>2,567,104</u>	<u>8,644,948</u>	<u>8,663,611</u>	<u>11,237,298</u>	<u>11,230,715</u>
Net assets - March 31, 2007	<u>\$2,599,410</u>	<u>\$2,592,350</u>	<u>\$8,964,848</u>	<u>\$8,644,948</u>	<u>\$11,564,258</u>	<u>\$11,237,298</u>

Financial Analysis of the Township's Funds

As the Township completed the year, its General Fund reported a fund balance of \$425,471. This was an increase of \$26,670 from the prior year.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The Township departments overall stayed below budget, resulting in total expenditures of \$39,172 below budget. This allowed the General Fund's fund balance to increase from \$398,801 a year ago to \$425,471 at March 31, 2007. This represents 3 months of expenditures.

Capital Assets

At the end of 2007, the Township had invested \$8.5 million in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the implementation of GASB Statement 34. Capital assets as stated in this annual financial report do not include some prior year infrastructure items such as sidewalks and streets. Financial reporting in years before 2005 has not required some infrastructure items to be included with capital assets. Recognizing the problem of having local units gather together all of the required information, GASB has allowed smaller units of government like the Township to report infrastructure assets on a prospective basis only after adopting the new reporting standard.

Long-term Debt

At year-end the Township had a capital lease obligation of \$4,296 outstanding for equipment purchased for governmental activities. Business type activities (water and sewer services) do not have any long term debt obligations outstanding at March 31. Annual debt service requirements for the capital lease are approximately \$2,100 per year, with final payment due in 2010.

Limitations on Debt

The State limits the amount of general obligation debt the Township can issue to 10% of the assessed value of all taxable property within the Township's corporate limits. The Township does not have any debt outstanding that is subject to the State limitation as the capital lease obligation is specifically excluded.

Contacting the Township's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charter Township of Flushing Clerk's Department.

Basic Financial Statements

Government-wide Financial Statements

Charter Township of Flushing
Statement of Net Assets
March 31, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 953,444	\$ 1,529,797	\$ 2,483,241
Receivables -Net	239,999	684,947	924,946
Internal balances	-	-	-
Capital assets - Net:			
Assets not subject to depreciation	193,200	-	193,200
Assets subject to depreciation	1,448,354	6,899,571	8,347,925
Total assets	2,834,997	9,114,315	11,949,312
Liabilities			
Accounts payable	13,477	149,467	162,944
Accrued liabilities	16,940	-	16,940
Noncurrent liabilities:			
Due within one year	126,816	-	126,816
Due in more than one year	78,354	-	78,354
Total liabilities	235,587	149,467	385,054
Net Assets			
Invested in capital assets, Net of related debt	1,637,258	6,899,571	8,536,829
Restricted for:			
Law enforcement	41,162	-	41,162
Garbage collection	509,010	-	509,010
Metro act	1,976	-	1,976
Unrestricted	410,004	2,065,277	2,475,281
Total net assets	\$ 2,599,410	\$ 8,964,848	\$ 11,564,258

The Notes to Financial Statements are an Integral Part of this Statement.

Charter Township of Flushing
Statement of Activities
For the Year Ended March 31, 2007

<u>Functions\Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 834,121	\$ 547,051	\$ -	\$ -
Public safety	1,359,217	70,907	89,586	18,707
Public works	895,308	472,557	20,325	-
Recreation and culture	198,537	-	107,827	-
Total governmental activities	3,287,183	1,090,515	217,738	18,707
Business-type activities				
Sewer and water	1,408,581	1,075,554	-	560,857
Total business-type activities	1,408,581	1,075,554	-	560,857
Total primary government	\$ 4,695,764	\$ 2,166,069	\$ 217,738	\$ 579,564

General revenues:

Property taxes
State-shared revenues
Investment earnings
Franchise fees
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning of year

Net assets - ending of year

The Notes to Financial Statements are an Integral Part of this Statement.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (287,070)	\$ -	\$ (287,070)
(1,180,017)	-	(1,180,017)
(402,426)	-	(402,426)
(90,710)	-	(90,710)
(1,960,223)	-	(1,960,223)
-	227,830	227,830
-	227,830	227,830
(1,960,223)	227,830	(1,732,393)
1,137,503	-	1,137,503
722,377	-	722,377
34,630	92,070	126,700
55,637	-	55,637
17,136	-	17,136
1,967,283	92,070	2,059,353
7,060	319,900	326,960
2,592,350	8,644,948	11,237,298
\$ 2,599,410	\$ 8,964,848	\$ 11,564,258

Fund Financial Statements

Charter Township of Flushing
Governmental Funds
Balance Sheet
March 31, 2007

	General	Law Enforcement	Solid Waste
Assets			
Cash and cash equivalents	\$ 301,323	\$ 163,321	\$ 474,982
Accounts receivable	282	3,848	-
Due from other funds	690	-	-
Due from other governments	132,528	68,449	34,102
Total assets	<u>\$ 434,823</u>	<u>\$ 235,618</u>	<u>\$ 509,084</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 6,157	\$ 5,311	\$ 74
Accrued liabilities	3,195	11,818	-
Due to other funds	-	-	-
Total liabilities	<u>9,352</u>	<u>17,129</u>	<u>74</u>
Fund balances:			
Reserved for metro act	1,976	-	-
Unreserved, reported in:			
General fund	423,495	-	-
Special revenue funds	-	218,489	509,010
Total fund balances	<u>425,471</u>	<u>218,489</u>	<u>509,010</u>
Total liabilities and fund balances	<u>\$ 434,823</u>	<u>\$ 235,618</u>	<u>\$ 509,084</u>

The Notes to Financial Statements are an Integral Part of this Statement.

Other Governmental Funds		Total
\$	13,818	\$ 953,444
	-	4,130
	-	690
	790	235,869
\$	14,608	\$ 1,194,133

\$	1,935	\$ 13,477
	1,927	16,940
	690	690
	4,552	31,107
	-	1,976
	-	423,495
	10,056	737,555
	10,056	1,163,026
\$	14,608	\$ 1,194,133

Charter Township of Flushing
Reconciliation of the Fund Balance as Reported in the
Governmental Balance Sheet to the Statement of Net Assets
For the Year Ended March 31, 2007

Total Governmental Funds Fund balance as reported in the Governmental Funds Balance Sheet	\$ 1,163,026
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	1,641,554
Capital lease obligations are not due and payable in the current period and are not reported in the funds.	(4,296)
Employee compensated absences are payable over a long period of years, and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities.	(200,874)
Net assets of governmental activities	\$ 2,599,410

The Notes to Financial Statements are an Integral Part of this Statement.

Charter Township of Flushing
Governmental Funds
Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended March 31, 2007

	General	Law Enforcement	Solid Waste
Revenues:			
Property taxes	139,838	\$ 954,550	\$ -
Special assessments	-	-	472,557
Licenses and permits	-	-	-
Intergovernmental revenues:			
Federal	-	-	-
State	730,731	11,065	-
Local	-	91,276	-
Charges for services	515,986	-	-
Fines and forfeitures	22,602	45,231	-
Interest	33,886	8,252	3,776
Other	-	20,743	-
Total revenues	<u>1,443,043</u>	<u>1,131,117</u>	<u>476,333</u>
Expenditures:			
Current:			
General government	821,711	500	400
Public safety	123,921	1,133,500	-
Public works	401,349	-	482,093
Recreation and culture	13,601	-	-
Capital outlay	791	25,294	-
Total expenditures	<u>1,361,373</u>	<u>1,159,294</u>	<u>482,493</u>
Excess (deficiency) of revenues over expenditures	<u>81,670</u>	<u>(28,177)</u>	<u>(6,160)</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(55,000)	-	-
Gain on sale of capital assets	-	-	-
Total other financing sources (uses)	<u>(55,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	26,670	(28,177)	(6,160)
Fund balances - beginning of year	398,801	246,666	515,170
Fund balances - end of year	<u><u>\$ 425,471</u></u>	<u><u>\$ 218,489</u></u>	<u><u>\$ 509,010</u></u>

The Notes to Financial Statements are an Integral Part of this Statement.

Other Governmental Funds		Totals
\$	-	\$ 1,094,388
	-	472,557
	29,303	29,303
	148,891	148,891
	-	741,796
	-	91,276
	-	515,986
	-	67,833
	-	45,914
	83,974	104,717
	262,168	3,312,661
	-	822,611
	82,951	1,340,372
	-	883,442
	137,107	150,708
	188,424	214,509
	408,482	3,411,642
	(146,314)	(98,981)
	55,000	55,000
	-	(55,000)
	-	-
	55,000	-
	(91,314)	(98,981)
	101,370	1,262,007
\$	10,056	\$ 1,163,026

Charter Township of Flushing
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2007

Net Change in fund balances as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$	(98,981)
---	----	----------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, however in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation:.

Capital outlay		199,666
Depreciation expense		(104,620)
Net book value of assets disposed of		(7,784)

Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment.		17,193
---	--	--------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statemnt of activities (where it reduces long-term debt)		1,586
--	--	-------

Change in net assets of governmental activities	\$	7,060
---	----	-------

Charter Township of Flushing
Proprietary Funds
Statement of Net Assets
March 31, 2007

	<u>Enterprise Fund</u> <u>Sewer and</u> <u>Water</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,529,797
Receivables:	
Accounts	24,198
Unbilled	196,512
Special assessments - current portion	58,017
Tap-in contracts - current portion	9,515
Accrued interest	14,681
Due from other governments	<u>550</u>
Total current assets	<u>1,833,270</u>
Noncurrent assets:	
Capital assets - net of accumulated depreciation	6,899,571
Special assessments receivable - long-term portion	337,664
Tap-in contracts receivable - long-term portion	<u>43,810</u>
Total noncurrent assets	<u>7,281,045</u>
Total assets	<u>9,114,315</u>
Liabilities	
Current liabilities:	
Accounts payable	<u>149,467</u>
Total current liabilities	<u>149,467</u>
Net Assets	
Invested in capital assets, net of related debt	6,899,571
Unrestricted	<u>2,065,277</u>
Total net assets	<u><u>\$ 8,964,848</u></u>

The Notes to Financial Statements are an Integral Part of this Statement.

Charter Township of Flushing
Proprietary Fund
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended March 31, 2007

	Enterprise Fund
	Sewer and
	Water
Operating revenues:	
Charges for services:	
Water usage fees	\$ 889,741
Sewer treatment fees	159,161
Late charges	26,652
Total operating revenues	<u>1,075,554</u>
Operating expenses:	
Water usage cost	673,716
Sewer treatment cost	114,423
Hydrant service	10,713
Computer billing charges	7,193
Professional fees	3,960
Depreciation	162,457
Pumping station maintenance	11,347
Pumping station utilities	2,673
Administration	415,826
Miscellaneous	6,273
Total operating expenses	<u>1,408,581</u>
Operating loss	<u>(333,027)</u>
Non-operating revenues:	
Interest on investments	88,292
Interest on tap-in contracts and assessments	3,778
Total non-operating revenues	<u>92,070</u>
Loss before contributions	<u>(240,957)</u>
Capital contributions	
Benefit fees	45,100
Special assessments	304,400
Donated asset	211,357
Change in net assets	<u>319,900</u>
Net assets - beginning of year	<u>8,644,948</u>
Net assets - end of year	<u><u>\$ 8,964,848</u></u>

The Notes to Financial Statements are an Integral Part of this Statement.

Charter Township of Flushing
Proprietary Fund
Statement of Cash Flows
For the Year Ended March 31, 2007

	<u>Enterprise Fund</u> <u>Sewer and</u> <u>Water</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 1,059,051
Payments to vendors	(1,347,167)
Net cash used in operating activities	<u>(288,116)</u>
Cash flows from capital and related financing activities:	
Special assessment collections	77,299
Benefit fees	51,448
Purchase of capital assets	(256,395)
Interest received on assessments and tap-in receivables	3,778
Net cash used in capital and related financing activities	<u>(123,870)</u>
Cash flows from investing activities:	
Sale of investments	1,427,162
Interest received on investments	109,908
Net cash provided in investing activities	<u>1,537,070</u>
Net increase in cash and cash equivalents	1,125,084
Cash and cash equivalents - beginning of year	404,713
Cash and cash equivalents - end of year	<u><u>\$ 1,529,797</u></u>
Cash flows from operating activities:	
Operating loss	\$ (333,027)
Adjustments to reconcile operating loss to net cash used by operations:	
Depreciation	162,457
Changes in operating assets and liabilities:	
Receivables:	
Accounts	(9,492)
Unbilled	(19,096)
Due from other funds	3,210
Due from other governments	8,875
Accounts payable	3,520
Due to other funds	(104,563)
Net cash used in operating activities	<u><u>\$ (288,116)</u></u>

Noncash investing, capital and financing activities:

During the year end March 31, 2007, the Water and Sewer Fund recognized a donation of a sewer line in the amount of \$211,357.

The Notes to Financial Statements are an Integral Part of this Statement.

Charter Township of Flushing
Balance Sheet
Fiduciary Fund
March 31, 2007

	Tax Collection Agency Fund
Assets:	
Cash and cash equivalents	\$ 341
Accounts receivable	2,929
Total assets	<u>\$ 3,270</u>
Liabilities:	
Due to other governments	\$ 3,270
Total liabilities	<u>\$ 3,270</u>

The Notes to Financial Statements are an Integral Part of this Statement.

Notes to Financial Statements

Charter Township of Flushing
Notes to Financial Statements
March 31, 2007

I. Summary of significant accounting policies

The accounting policies of the Charter Township of Flushing (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Flushing.

A. Reporting entity

The Charter Township of Flushing was formed in 1838. The Township provides the following services as authorized by law: public safety (police, fire and inspections), highways and streets, sanitation, public improvements, recreation, planning and general administrative services.

The accompanying financial statements present the Charter Township of Flushing, Michigan. The Township currently does not have any component units.

Joint governed organization - The Township has entered into a joint agreement with the City of Flushing to share in the operating costs of a senior citizens center for township and city residents. The facility renovation and operation is overseen by a joint building operating committee made up of two appointees from each municipality, and are selected by the city and township members. The joint building committee prepares an annual operating budget which is approved by each municipality. All operating regulations, policies, and rules for the center are determined by the committee and approved by the city and township. Operating expenses will be divided between the city and township based on resident usage records. The City of Flushing acts as the fiduciary agent for the Senior Center. During the current year, the Township's share of the operating costs of the Center was \$10,736. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Separate financial statements for the Senior Citizens Center are not available at June 30, 2006.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on user fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Charter Township of Flushing
Notes to Financial Statements
March 31, 2007

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenues sources meet the availability criterion: state share revenues and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after a period of availability; receivables have been recorded for these, along with a “deferred revenue” liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Township reports the following major governmental funds:

The General Fund is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Law Enforcement Fund accounts for police services provided to township residents.

The Solid Waste Fund accounts for sanitation services provided to township residents.

The Township reports the following major proprietary fund:

The Water Supply and Sewer Disposal System. One fund is maintained for the operations of the water distribution system and the sewage pumping and collection system that transport the sewage to Genesee County’s treatment plant.

Additionally, the government reports the following fund types:

Agency Fund accounts for assets held by the Township in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Charter Township of Flushing
Notes to Financial Statements
March 31, 2007

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Property Taxes

Property taxes are levied on each December 1 on taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. Revenues generated by the levy of a 1% property tax administrative fee are recognized on a cash basis.

The Township's 2006 tax is levied and collectible on December 1, 2006, and is recognized as revenue in the year ended March 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Township totaled 280,921,450, on which taxes levied consisted of 0.50 mills for operating purposes and 3.4114 mills for police. This resulted in \$139,838 for operating and \$954,550 for police. These amounts are recognized in the respective General and Special Revenue fund financial statements as tax revenue.

A comparison of assessed and taxable property values for the 2006 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real property	\$350,786,700	\$274,469,250
Qualified real property	163,800	162,540
Personal property	<u>6,289,660</u>	<u>6,289,660</u>
Total	<u>\$357,240,160</u>	<u>\$280,921,450</u>

Charter Township of Flushing
Notes to Financial Statements
March 31, 2007

I. Summary of significant accounting policies – (continued)

E. Assets, liabilities, and net assets or equity

1. Bank Deposits

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturity of three months or less when acquired.

2. Receivables and payables

In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of allowance for uncollectible amounts.

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, equipment, and infrastructure of the Township is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Land improvements	12-60
Vehicles	5
Vehicle equipment	5
Office equipment	5-12
Computer equipment	5
Maintenance equipment	6-12
Water system and waterlines	60
Sewer system	60
Infrastructure	10-20

Charter Township of Flushing
Notes to Financial Statements
March 31, 2007

I. Summary of significant accounting policies – (continued)

E. Assets, liabilities, and net assets or equity – (continued)

4. Compensated absences (vacation and sick leave)

All full-time Township employees are paid for sick days on an as needed basis up to a reasonable limit, as determined by management. Sick pay is recorded as an expenditure in the year used. Police officers may accumulate and carryover to the next fiscal year a maximum of 75 days of sick pay. Accumulated and unpaid sick pay liability has been accrued.

Police officers may accumulate and carryover to the next fiscal year no more than one-half of their annual vacation time up to two years. General Township employees are allowed to carryover up to half of their annual vacation time up to two years. Accumulated and unpaid vacation days for police officers and general Township employees have been accrued.

5. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

II. Stewardship, compliance, and accountability

A. Budgetary information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. Informational summaries of projected revenues and expenses are provided for the Water and Sewer Enterprise Fund.

Charter Township of Flushing
Notes to Financial Statements
March 31, 2007

II. Stewardship, compliance, and accountability – (continued)

A. Budgetary information – (continued)

2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted on a departmental level for all budgetary funds through passage of a resolution in accordance with Public Act 621 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts, however, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. All budgets are adopted on a basis consistent with generally accepted accounting principles except as indicated in item 8 below.
6. Budget appropriations lapse at year end, except for approved contracts and certain federal grants which are appropriated on a contract (grant) length basis.
7. The original budget was amended during the year in compliance with the Township Charter and applicable state laws. The budget amounts reported in the financial statements represent the original and final budgeted expenditures as amended by the Township.
8. The Community Development Special Revenue Fund is budgeted on a project length basis. As a result of this different budget perspective, the Community Development Fund is not included in the special revenue budget to actual statements.

Expenditures over budget:

The following individual funds incurred expenditures in excess of appropriations:

<u>Fund</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	Actual Over <u>Budget</u>
Law enforcement	Capital outlay	\$23,800	\$25,294	\$1,494
DARE	Capital outlay	-	953	953
Drug law enforcement	Capital outlay	-	1,881	1,881
Building Department	Public safety	81,450	82,951	1,501

B. Construction code revenues/expenditures

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. The Township established a separate fund to account for the activity. Typically, the expenditures exceed the revenues and a transfer from the General Fund is made to cover the excess. The activity related to construction code activity for the year ended March 31, 2007 is as follows:

Shortfall at April 1, 2006	\$ (9,760)
Construction permit revenue	29,303
Expenditures:	
Professional services	<u>(82,951)</u>
Cumulative shortfall at March 31, 2007	<u>\$ (63,408)</u>

Charter Township of Flushing
Notes to Financial Statements
March 31, 2007

III. Detailed notes on all funds

A. Deposits and investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated three banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$581,879 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk:

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$1,834,836	Aaa	Moody's

Charter Township of Flushing
Notes to Financial Statements
March 31, 2007

III. Detailed notes on all funds – (continued)

B. Receivables

Receivables as of year end for the Township's individual major funds, nonmajor funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Law Enforcement</u>	<u>Solid Waste</u>	<u>Nonmajor Government Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:						
Accounts	\$ 282	\$ 3,848	\$ -	\$ -	\$ 2,929	\$ 7,059
Intergovernmental	132,528	68,449	34,102	790	-	235,869
Gross receivables	132,810	72,297	34,102	790	2,929	242,928
Less: allowance for uncollectibles	-	-	-	-	-	-
Net total receivables	<u>\$132,810</u>	<u>\$ 72,297</u>	<u>\$ 34,102</u>	<u>\$ 790</u>	<u>\$ 2,929</u>	<u>\$242,928</u>

Business type activities:

	<u>Water and Sewer</u>
Receivables:	
Accounts	\$ 220,710
Interest	14,681
Special assessments	395,681
Tap in contracts	53,325
Intergovernmental	<u>550</u>
Gross receivables	684,947
Less: allowance for uncollectibles	<u>-</u>
Net total receivables	<u>\$684,947</u>

Charter Township of Flushing
Notes to Financial Statements
March 31, 2007

III. Detailed notes on all funds – (continued)

C. Capital assets

Capital asset activity for the year ended March 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 193,200	\$ -	\$ -	\$ 193,200
Construction in progress	12,000	-	(12,000)	-
Capital assets, being depreciated:				
Total capital assets not being depreciated	205,200	-	(12,000)	193,200
Land improvements	371,857	181,363	-	553,220
Buildings and building improvements	1,153,265	-	-	1,153,265
Computer equipment	107,525	6,236	-	113,761
Maintenance equipment	48,441	-	-	48,441
Office Equipment	39,191	-	-	39,191
Vehicles	226,848	19,938	(19,460)	227,326
Vehicle equipment	1,279	4,129	-	5,408
Infrastructure	167,004	-	-	167,004
Total capital assets being depreciated	2,115,410	211,666	(19,460)	2,307,616
Less accumulated depreciation for:				
Land improvements	(125,248)	(21,716)	-	(146,964)
Buildings and building improvements	(319,181)	(29,436)	-	(348,617)
Computer equipment	(99,057)	(6,154)	-	(105,211)
Maintenance equipment	(20,649)	(4,133)	-	(24,783)
Office Equipment	(31,430)	(1,973)	-	(33,403)
Vehicles	(160,322)	(29,288)	11,676	(177,935)
Vehicle equipment	(1,279)	(52)	-	(1,331)
Infrastructure	(9,152)	(11,866)	-	(21,018)
Total accumulated depreciation	(766,318)	(104,620)	11,676	(859,262)
Net capital assets being depreciated	1,349,092	107,046	(7,784)	1,448,354
Governmental activities capital assets, net	<u>\$1,554,292</u>	<u>\$ 107,046</u>	<u>\$ (19,784)</u>	<u>\$1,641,554</u>

Charter Township of Flushing
Notes to Financial Statements
March 31, 2007

III. Detailed notes on all funds - (continued)

C. Capital assets - (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 243,803	\$ -	\$ (243,803)	\$ -
Total capital assets, not being depreciated	243,803	-	(243,803)	-
Capital assets, being depreciated:				
Water system	6,846,783	487,216	-	7,333,999
Waterline	601,459	-	-	601,459
Sewer system	1,378,188	211,357	-	1,589,545
Machinery and equipment	17,979	12,983	-	30,962
Total capital assets, being depreciated	8,844,409	711,556	-	9,555,965
Less accumulated depreciation for:				
Water system	(1,929,384)	(120,854)	-	(2,050,238)
Waterline	(260,632)	(10,025)	-	(270,657)
Sewer system	(295,304)	(29,127)	-	(324,431)
Machinery and equipment	(8,617)	(2,451)	-	(11,068)
Total accumulated depreciation	(2,493,937)	(162,457)	-	(2,656,394)
Total capital assets, being depreciated, net	6,350,472	549,099	-	6,899,571
Business-type capital assets, net	<u>\$ 6,594,275</u>	<u>\$ 549,099</u>	<u>\$ (243,803)</u>	<u>\$ 6,899,571</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:

General government	\$ 25,340
Public safety	36,581
Public works	11,866
Recreation and cultural	<u>30,833</u>

Total - governmental activities \$ 104,620

Business-type activities:

Sewer and water	<u>\$162,457</u>
-----------------	------------------

Total – business-type activities \$162,457

Charter Township of Flushing
Notes to Financial Statements
March 31, 2007

III. Detailed notes on all funds – (continued)

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of March 31, 2007 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Other governmental funds	<u>\$ 690</u>

These balances result from the time lag between the dates the goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers:

<u>Fund Providing Resource</u>	<u>Fund Receiving Resource</u>	<u>Amount</u>
General fund	Building department fund	\$ 55,000

Transfer between the General fund and the Building department fund is for operating purposes.

E. Capital lease

The Township entered into a capital lease for the purchase of a copier. The capital lease is secured by the equipment purchased of \$8,399 for the township general office. The leased asset has been recorded in the Governmental Capital Assets. Future minimum lease payments are as follows:

<u>Year Ended</u>	
2008	2,172
2009	2,172
2010	<u>543</u>
Future minimum lease payments	4,887
Less amount representing interest	<u>591</u>
Capital leases payable at March 31, 2007	<u>\$ 4,296</u>

F. Long-term debt

Long-term liability activity for the year ended March 31, 2007 can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 5,882	\$ -	\$ 1,586	\$ 4,296	\$ 1,776
Compensated absences	<u>218,067</u>	<u>107,064</u>	<u>124,258</u>	<u>200,874</u>	<u>125,040</u>
Total governmental activities long-term debt	<u>\$223,949</u>	<u>\$ 107,064</u>	<u>\$125,844</u>	<u>\$205,170</u>	<u>\$ 126,816</u>

Charter Township of Flushing
Notes to Financial Statements
March 31, 2007

IV. Other information

A. Risk management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance coverage for all claims except employee dental benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Township pays dental and vision claims on a reimbursement basis and has set aside employee and employer contributions to pay these claims in the General fund. Liability for unpaid claims was immaterial at March 31, 2007.

B. Deferred compensation

The Township offers its employees a Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their current salary until future years. Participation in the plan is optional. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseen emergency. The Township's plan administrator, Nationwide Retirement Solutions and Aetna, has placed the assets of the plan within a restricted trust for the exclusive benefit of employees. As a result, the plan assets are not considered assets of the Township and are not recorded in these financial statements.

C. Retirement Plans

Benefit provisions and contributions obligations have been established by the Township Board.

Defined benefit plan:

The Township participates in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by the State of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The Township has no fiduciary responsibility for the plan. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

(a) Plan description:

The pension plan provides pension benefits, deferred allowances, and death and disability benefits for Township employees. Benefits are vested after eight years of service for non-union and after ten years for police officers and command. Retirement is based on the following requirements:

- Age 60 with 10 or more years of credited service,
- Age 50 with 25 or more years of credited service for police officers and command, and
- Age 55 with 15 or more years of credited service for non-union can retire.

Employees who retire after reaching their requirement are entitled to 3.0% of the member's three year final average compensation (FAC) times the number of years and months of credited service for that member. The annual benefit shall not exceed 80% of the FAC.

Charter Township of Flushing
Notes to Financial Statements
March 31, 2007

IV. Other information – (continued)

C. Retirement Plans – (continued)

(a) Plan description: - (continued)

Pension provisions include deferred allowances whereby an employee may terminate employment with the Township after accumulating 10 years of service for police officers and command and 8 years of service for non-union but before reaching the age of 60. If the employee does not withdraw his or her accumulated contributions, the employee is entitled to all pension benefits upon reaching retirement age as discussed above.

Pension provisions include death and disability benefits. A disabled employee is entitled to full benefits after acquiring 10 or more years of credited service, whereas a surviving spouse is entitled to receive an amount equal to 85% of the employees final, three-year average salary. Benefits are determined by State statutes.

Membership in the plan at December 31, 2005, the date of the latest actuarial valuation, is comprised of 14 non-union and 10 police officer and command active members. There were 0 non-union and 2 police officer and command inactive vested members, and 2 non-union and 0 police officer and command retirants, or beneficiaries at December 31, 2005.

(b) Contributions:

The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

(c) Funding method and assumptions:

The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. Non-union employees are required to deposit 0% and police officers are required to deposit 2.0% of all monetary compensation. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary. The Township's current rate was 16.59% non-union, 11.33% patrol police officers, and 22.37% command police officers of annual covered payroll.

Information as of the latest actuarial valuation follows:

Annual required pension cost	\$257,846
Contributions made	257,846
Actuarial valuation date	December 31, 2005
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent
Remaining amortization period (weighted)	30 years
Asset valuation method	Market
Actuarial assumptions	
Investment rate of return	8.0%
Projected salary increase	4.5%

Charter Township of Flushing
Notes to Financial Statements
March 31, 2007

V. Other information – (continued)

C. Retirement Plans – (continued)

Defined benefit plan: - (continued)

Defined Benefit Pension Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/c)
12/31/03	\$ 719,144	\$1,035,184	\$ 316,040	69.5	\$ 502,343	63%
12/31/04	1,501,446	2,463,464	962,018	60.9	981,651	98
12/31/05	1,765,298	3,086,437	1,321,139	57.2	1,024,139	129

Defined Benefit Pension Plan
Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
03/31/05	\$139,423	100%	\$ -
03/31/06	170,061	100	-
03/31/07	257,846	100	-

D. Other postemployment benefits

The Township has elected to provide postemployment health care benefits to command unit police officers who reach at least 25 years of seniority and their spouse. The government pays the full cost of coverage for these benefits. Also, the retirees and their spouses must commit to enrolling in Medicare Part B at age 65.

The Township has elected to provide postemployment health care benefits to any non-contractual employee retiring after March 31, 2004 with 25 years of service. The retiree must commit to enrolling in Medicare Part B at age 65. The Township will pay the full cost of the retired employee's Medicare Supplement Part B.

Also, the Township has elected to provide postemployment health benefits to certain patrol police officers who retire with at least twenty-five years of seniority. Effective April 1, 2006, the Township is required to pay no more than \$750 per month per retiree for premiums under the medical/hospitalization insurance plan. Any remaining costs will be borne solely by the retiree. The amount the Township is required to pay shall increase 10% each year effective on April 1. In no event shall the Township be required to pay more than the actual cost of the health insurance premium. Also, the retirees and their spouses must commit to enrolling in Medicare Part B when eligible or, at the latest, at age 65.

Charter Township of Flushing
Notes to Financial Statements
March 31, 2007

IV. Other information – (continued)

D. Other postemployment benefits – (continued)

The benefits are provided through private insurers and all premiums are paid when incurred. At March 31, 2007 there is one retiree who is eligible for benefits under the three plans noted above. For the year ended March 31, 2007, made payments for postemployment health care premiums of \$1,620.

Upcoming reporting change: The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement will be effective for the year ended March 31, 2009.

E. Summary disclosures of significant contingencies

The Township participates in the federally assisted Community Development Block Grant Program and COPS Program. These grant programs are subject to monitoring by the granting agency. The granting agency has yet to make final approval of the expenditures charged to the grants. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

F. Commitments

The Township, during fiscal year 2005, entered into a five year contract with another governmental unit to provide fire protection to the Township. The contract requires quarterly payments of \$28,000 to be made through June 30, 2009.

Required Supplemental Information

**Charter Township of Flushing
General Fund
Budgetary Comparison Schedule
For the Year Ended March 31, 2007**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Taxes	\$ 140,000	\$ 140,000	\$ 139,838	\$ (162)
Intergovernmental - state	737,500	737,500	730,731	(6,769)
Charges for services	175,500	505,500	515,986	10,486
Interest	15,800	15,800	22,602	6,802
Other revenue	38,750	38,750	33,886	(4,864)
Total revenues	1,107,550	1,437,550	1,443,043	5,493
Expenditures				
Current:				
General government:				
Township board	135,200	211,900	203,854	8,046
Supervisor	65,300	70,050	69,237	813
Assessor	77,650	89,500	87,442	2,058
Elections	12,000	20,000	19,886	114
Clerk	142,300	158,145	153,822	4,323
Accounting	72,500	109,550	107,211	2,339
Treasurer	114,700	127,350	125,315	2,035
Township hall and grounds	50,900	56,150	54,944	1,206
Public safety:				
Law enforcement	5,000	12,000	11,915	85
Fire	112,100	112,100	112,000	100
Code enforcement	14,900	14,900	6	14,894
Public works	234,800	403,700	401,349	2,351
Recreation and culture	10,100	14,000	13,601	399
Capital outlay:				
General government:	700	1,100	791	309
Public works	1,000	100	-	100
Total expenditures	1,049,150	1,400,545	1,361,373	39,172
Excess of revenues over expenditures	58,400	37,005	81,670	44,665
Other financing sources (uses):				
Transfers in	25,000	25,000	-	(25,000)
Transfers out	(6,500)	(55,000)	(55,000)	-
Total other financing sources (uses)	18,500	(30,000)	(55,000)	(25,000)
Net change in fund balances	76,900	7,005	26,670	19,665
Fund balance - beginning of year	398,801	398,801	398,801	-
Fund balance - end of year	\$ 475,701	\$ 405,806	\$ 425,471	\$ 19,665

**Charter Township of Flushing
Law Enforcement Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended March 31, 2007**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Taxes	\$ 907,600	\$ 907,600	\$ 954,550	\$ 46,950
Intergovernmental:				
State	3,000	3,000	11,065	8,065
Local	92,700	92,700	91,276	(1,424)
Fines and forfeits	34,500	34,500	45,231	10,731
Interest	1,620	1,620	8,252	6,632
Other revenue	1,800	1,450	20,743	19,293
Total revenues	1,041,220	1,040,870	1,131,117	90,247
Expenditures				
Current:				
General government:				
Township board	750	750	500	250
Public safety:				
Law enforcement	1,064,263	1,155,040	1,133,500	21,540
Capital outlay:				
Public safety	24,000	23,800	25,294	(1,494)
Total expenditures	1,089,013	1,179,590	1,159,294	20,296
Excess (deficiency) of revenues over expenditures	(47,793)	(138,720)	(28,177)	110,543
Other financing uses:				
Transfers out	(25,000)	(25,000)	-	25,000
Total other financing uses	(25,000)	(25,000)	-	25,000
Net change in fund balances	(72,793)	(163,720)	(28,177)	135,543
Fund balance - beginning of year	246,666	246,666	246,666	-
Fund balance - end of year	\$ 173,873	\$ 82,946	\$ 218,489	\$ 135,543

**Charter Township of Flushing
Solid Waste Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended March 31, 2007**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Special assessments	\$ 472,000	\$ 472,000	\$ 472,557	\$ 557
Interest	1,400	1,400	3,776	2,376
Total revenues	<u>473,400</u>	<u>473,400</u>	<u>476,333</u>	<u>2,933</u>
Expenditures				
Current:				
General government:				
Township board	250	400	400	-
Public works	<u>472,000</u>	<u>483,000</u>	<u>482,093</u>	<u>907</u>
Total expenditures	<u>472,250</u>	<u>483,400</u>	<u>482,493</u>	<u>907</u>
Net change in fund balances	1,150	(10,000)	(6,160)	3,840
Fund balance - beginning of year	<u>515,170</u>	<u>515,170</u>	<u>515,170</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 516,320</u></u>	<u><u>\$ 505,170</u></u>	<u><u>\$ 509,010</u></u>	<u><u>\$ 3,840</u></u>

Charter Township of Flushing
Notes to Required Supplementary Information
March 31, 2007

Summary of Significant Accounting Policies - Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

The budgets for the Major Governmental Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Other Supplemental Information

**Charter Township of Flushing
Non-Major Governmental Funds
Summary Descriptions
March 31, 2007**

Special Revenue Funds

DARE

To account for the activity of the Drug Abuse Resistance Education Program. The Township Police Department has set up the program to provide drug education to students in the local schools.

Parks and Recreation

To account for the activity related to the operation of the Township's nature park.

Drug Law Enforcement

This fund is used to account for revenues from the sales of drug confiscated items. Expenditures are restricted to drug enforcement and prevention.

Building Department

To account for revenues and expenditures related to the Building Department activities.

Community Development

This fund is used to account for federal grant funds that are used for projects suggested by the citizenry.

Charter Township of Flushing
Nonmajor Special Revenue Governmental Funds
Combining Balance Sheet
March 31, 2007

Assets	D.A.R.E	Parks and Recreation	Drug Law Enforcement
Cash and cash equivalents	\$ -	\$ 10,625	\$ 123
Due from other governments	-	-	-
Total assets	<u>\$ - 0 -</u>	<u>\$ 10,625</u>	<u>\$ 123</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 1,722	\$ -
Accrued liabilities	-	714	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>2,436</u>	<u>-</u>
Fund balances:			
Unreserved, undesignated	<u>-</u>	<u>8,189</u>	<u>123</u>
Total fund balances	<u>-</u>	<u>8,189</u>	<u>123</u>
Total liabilities and fund balances	<u>\$ - 0 -</u>	<u>\$ 10,625</u>	<u>\$ 123</u>

Building Department	Community Development	Totals
\$ 3,070	\$ -	\$ 13,818
-	790	790
\$ 3,070	\$ 790	\$ 14,608

\$ 113	\$ 100	\$ 1,935
1,213	-	1,927
-	690	690
1,326	790	4,552
1,744	-	10,056
1,744	-	10,056
\$ 3,070	\$ 790	\$ 14,608

Charter Township of Flushing
Nonmajor Special Revenue Governmental Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended March 31, 2007

	D.A.R.E	Parks and Recreation	Drug Law Enforcement
Revenues:			
Licenses and permits	\$ -	\$ -	\$ -
Intergovernmental:			
Federal	-	96,626	-
Other revenue	-	83,974	-
Total revenues	-	180,600	-
Expenditures:			
Current:			
Public safety:			
Building department	-	-	-
Recreation and culture	-	84,842	-
Capital Outlay	953	185,590	1,881
Total expenditures	953	270,432	1,881
Excess (deficiency) of revenues over expenditures	(953)	(89,832)	(1,881)
Other financing sources:			
Transfers in	-	-	-
Total other financing sources	-	-	-
Net change in fund balances	(953)	(89,832)	(1,881)
Fund balances - beginning of year	953	98,021	2,004
Fund balances - end of year	\$ - 0 -	\$ 8,189	\$ 123

Building Department	Community Development	Totals
\$ 29,303	\$ -	\$ 29,303
-	52,265	148,891
-	-	83,974
29,303	52,265	262,168
82,951	-	82,951
-	52,265	137,107
-	-	188,424
82,951	52,265	408,482
(53,648)	-	(146,314)
55,000	-	55,000
55,000	-	55,000
1,352	-	(91,314)
392	-	101,370
\$ 1,744	\$ - 0 -	\$ 10,056

Charter Township of Flushing
Nonmajor Special Revenue Governmental Funds
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended March 31, 2007

	D.A.R.E.			
	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Amended		
Revenues:				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal	-	-	-	-
Interest	10	10	-	(10)
Other revenue	-	-	-	-
Total revenues	10	10	-	(10)
Expenditures:				
Current:				
Public safety:				
Law enforcement	-	-	-	-
Building department	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	953	(953)
Total expenditures	-	-	953	(953)
Excess (deficiency) of revenues over expenditures	10	10	(953)	(963)
Other financing sources:				
Transfers in	-	-	-	-
Total other sources	-	-	-	-
Net change in fund balances	10	10	(953)	(963)
Fund balance - beginning of year	953	953	953	-
Fund balance - end of year	\$ 963	\$ 963	\$ - 0 -	\$ (963)

Parks and Recreation				Drug Law Enforcement			
Budgeted Amounts		Actual	Variance With Final Budget	Budgeted Amounts		Actual	Variance With Final Budget
Original	Amended			Original	Amended		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
131,600	131,600	96,626	(34,974)	-	-	-	-
6,538	6,538	-	(6,538)	10	10	-	(10)
91,750	91,750	83,974	(7,776)	25	25	-	(25)
229,888	229,888	180,600	(49,288)	35	35	-	(35)
-	-	-	-	5	5	-	5
-	-	-	-	-	-	-	-
85,350	95,100	84,842	10,258	-	-	-	-
221,120	221,120	185,590	35,530	-	-	1,881	(1,881)
306,470	316,220	270,432	45,788	5	5	1,881	(1,876)
(76,582)	(86,332)	(89,832)	(3,500)	30	30	(1,881)	(1,911)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(76,582)	(86,332)	(89,832)	(3,500)	30	30	(1,881)	(1,911)
98,021	98,021	98,021	-	2,004	2,004	2,004	-
\$ 21,439	\$ 11,689	\$ 8,189	\$ (3,500)	\$ 2,034	\$ 2,034	\$ 123	\$ (1,911)

(continued)

Charter Township of Flushing
Nonmajor Special Revenue Governmental Funds
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual (continued)
For the Year Ended March 31, 2007

	Building Department			Variance
	Budgeted Amounts		Actual	With Final Budget
	Original	Amended		
Revenues:				
Licenses and permits	\$ 69,050	\$ 46,850	\$ 29,303	\$ (17,547)
Intergovernmental:				
Federal	-	-	-	-
Interest	50	50	-	(50)
Other revenue	300	250	-	(250)
Total revenues	69,400	47,150	29,303	(17,847)
Expenditures:				
Current:				
Public safety:				
Law enforcement	-	-	-	-
Building department	73,900	81,450	82,951	(1,501)
Recreation and culture	-	-	-	-
Capital outlay	100	100	-	100
Total expenditures	74,000	81,550	82,951	(1,401)
Excess (deficiency) of revenues over expenditures	(4,600)	(34,400)	(53,648)	(19,248)
Other financing sources:				
Transfers in	6,500	35,000	55,000	20,000
Total other sources	6,500	35,000	55,000	20,000
Net change in fund balances	1,900	600	1,352	752
Fund balance - beginning of year	392	392	392	-
Fund balance - end of year	\$ 2,292	\$ 992	\$ 1,744	\$ 752



Plante & Moran, PLLC

Suite 1A

111 E. Court St.

Flint, MI 48502

Tel: 810.767.5350

Fax: 810.767.8150

plantemoran.com

June 15, 2007

To Members of the Board
Charter Township of Flushing
Genesee County, Michigan

We have recently completed our audit of the financial statements for the Charter Township of Flushing for the year ended March 31, 2007. As a result of our audit, we offer the following observations and comments for your consideration:

Retiree Health Care Benefits

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government wide financial statements, rather than the individual fund level. The Township currently pays for premiums on a pay-as-you-go basis. The Township will need to decide how much of the total obligation to fund which may have an impact on the manner in which the benefit is budgeted.

The new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any under funding must be reported as a liability on the government wide statement of net assets. This valuation will need to be performed by an actuary only if the total participants exceed 100. Participants are defined as employees in active service, terminated employees not yet receiving benefits, plus retirees and beneficiaries currently receiving benefits. Plans with fewer than 100 participants may either hire an actuary, or perform the calculation themselves (at least every three years).

This statement is effective for the fiscal year beginning April 1, 2009. Remember that planning to make the annual recommended contribution generally requires up to three to six months for an actuarial valuation plus six months lead time to work the numbers into the budget. Therefore, we recommend that you begin the actuarial valuation at least one year prior to the above dates. The GASB statement has provided substantial incentive to fund the obligation in accordance with the annual recommended contribution. In addition to the "interperiod equity" issue of paying for a service as you use it, the GASB has directed that lower rates of return be used for evaluating the annual recommended contribution in situations where the recommended contribution is not being funded. This will significantly increase the calculation of the following year's contribution. So - funding the contribution will actually reduce your long run cost.

Legislative Update

Revenue Sharing (Updated March 2007)

The future of the State's revenue sharing program may be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The magnitude of the State's deficit has become even more pronounced after the State's January 2007 revenue estimating conference. According to economists, Michigan's budget is \$3 billion short of the revenue needed to cover basic services this year and next (State fiscal year's 2006/2007 and 2007/2008). The outcome of other matters will also impact revenue sharing and those matters include:

- **Future of County Participation in Statutory Revenue Sharing** In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the "revenue sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- **Statutory Revenue Sharing Formula Expires in 2007** Legislative action is required on this Act for appropriations to continue into 2008 and beyond.
- **Changing Michigan Business Tax Structure** The Michigan Single Business Tax has been eliminated effective December 31, 2007 which will result in the loss of \$1.9 billion from the State's budget in 2008. The Governor's fiscal year 2007/2008 budget recommends replacing a majority of the repealed Single Business Tax revenue with a new Michigan Business Tax and the enactment of a new excise tax on service providers. The new Michigan Business Tax ("MBT") is projected to generate approximately \$480 million less annually in revenue than currently generated by the Single Business Tax but the new two percent excise tax on most services is projected (if effective on June 1, 2007) to raise about \$576 million in the remainder of the fiscal 2006/2007 to help with State's budget deficit for that year and to raise \$1.47 billion in the State's fiscal year 2007/2008. The Governor's budget also includes several other tax increases and changes. Much debate will occur prior to the enactment of a final tax structure plan.

As introduced, the Governor's budget for fiscal year 2007/2008 includes a revenue sharing increase of \$27 million to be distributed using the three part formula currently contained in the revenue sharing act (taxable value per capita, population/unit type and yield equalization) with an additional \$14.5 million for public safety funding. While specific details have not been announced yet, communities would only be eligible for the increase if they can demonstrate service sharing with other local governments.

While the debate has begun, there still remain considerably more questions than answers regarding long-term funding of statutory revenue sharing. **Additionally, there are several practical short term concerns including:**

- If revenue sharing cuts are enacted for the State's fiscal year 2006/2007, then these unplanned revenue sharing payment reductions could impact the Township's year ending March 31, 2007. However, the amounts may not be known until spring or summer providing local governments with little or no time to react.

- Final decisions on revenue sharing funding levels for the State's fiscal year 2007/2008 will likely not be complete in time for local governments working on 2008 budgets.

The following chart depicts the Township's actual and estimated revenue-sharing payments over a five year period - from the State's fiscal year ended September 30, 2002 through the estimated amounts for fiscal year ending September 30, 2007:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Constitutional	\$670,609	\$681,963	\$674,556	\$690,653	\$702,411	\$690,763
Statutory	186,245	157,265	79,703	55,385	35,326	26,908
Total	<u>\$856,854</u>	<u>\$839,228</u>	<u>\$754,259</u>	<u>\$746,038</u>	<u>\$737,737</u>	<u>\$717,671</u>
Increase (decrease)		-\$17,626	-\$84,969	-\$8,221	-\$8,301	-\$20,066
% Change		-2%	-10%	-1%	-1%	-3%

While the significant declines in this funding source experienced in recent years appear to have slowed, it is clear that the total amount of money distributed is unlikely to increase without significant changes to the State's revenue structure. This has clearly impacted the Township's ability to finance operations and capital spending. As of now, there appears to be no long-term solution to the State's structural deficit in its General Fund, and as long as this condition exists, revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

It is important to recognize that the authority for the statutory portion of revenue sharing terminates on September 30, 2007. This portion represents approximately 4 percent of the Township's total state-shared revenue recorded in its General Fund. We have not heard any significant discussion in Lansing regarding the plans for renewal at this time, but it would be appropriate to begin discussions with your state representative regarding the importance of the revenue-sharing program. The long-run health of the state-shared revenue may well be dependent on the State's current project to reform its business tax structure. We continue to urge the Township to be conservative in its estimation of state-shared revenues as this line item in the State's budget remains vulnerable. We will continue to update the Township as developments occur.

Personal Property Tax (Updated March 2007)

Over the last six years, the State's personal property tax laws and regulations have changed substantially. In 2000, the State Tax Commission updated the general business depreciation tables that are used to calculate personal property taxes, resulting in approximately 10% drop in property tax revenue. In addition, the State Tax Commission also approved new personal property tax tables for utilities which made drastic changes to transmission and distribution property of utilities (resulting in approximately 30% revenue loss to local units of government). Also, the Michigan Supreme Court in WPW Acquisition Co v. City of Troy ruled that the Proposal A cap prevents assessors from increasing the taxable value of commercial rental property above the rate of inflation using the occupancy methodology even when reductions in taxable value were previously granted due to a decrease in occupancy.

Further reductions to personal property tax remain part of the State's tax structure discussions. Personal property taxes are a significant revenue source to many local governments. For the Township, personal property tax represents 4% of its tax base. If the State's new business tax structure provides personal property tax relief, the question is will local governments be held harmless by the State and to what extent? The Governor's tax plan as introduced proposes to change the property tax system to mitigate the impact of the WPW case. A similar attempt to make this correction occurred in 2005 and 2006 with no success.

New Cable Franchise Legislation (Updated March 2007)

The Governor signed cable franchise legislation (House Bill 6456) into law effective January 1, 2007. The new law (Public Act 480 of 2006) creates the "Uniform Video Services Local Franchise Act" which provides a statewide framework for franchising agreements instead of individual community agreements. This Act requires video service providers to obtain a local franchise, good for 10 years, from the franchising entity (the local unit of government). As part of the local franchise, the provider is required to pay an annual video service provider fee, not to exceed 5% of gross revenue, as well as an annual fee for the costs of the PEG access facilities, not to exceed 2% of gross revenue. The Act allows providers to terminate the current franchise contracts before their expiration date, in order to enter into this new local franchise agreement under the statewide framework.

Local units of government will be impacted in the following ways:

Under the Act, no additional fees or charges other than those stipulated under the Act may be written into the local franchise agreements.

To the extent existing cable franchise agreements provided more funding than provided for under the new Act, municipalities will see reduced fees from these new local franchise agreements.

A credit, based on annual maintenance fees paid for use of public rights of way, to video service providers is allowed under the Act. This credit could eliminate or significantly reduce any revenue the local unit might receive under the bills franchise fee.

Audits of the video service providers' calculation of gross revenue is limited to once every two years.

It is expected that local governments will receive their first payment under the new Act beginning in May 2007. We strongly encourage you to review this payment compared to payments previously received and follow up with your provider as required.

Property Tax Legislation (Updated March 2007)

A series of House bills were introduced in 2007 dealing with the treatment of the uncapping of value on sale or transfer of property. With the passage of Proposal A in 1994, changes to the taxable value of an individual property are limited to the lesser of the rate of inflation or 5 percent – until the property is sold or transferred. The difference between the capped taxable value amount and state equalized value at the time of transfer is referred as the "uncapped" value or the "pop-up" value. As several published studies and reports have demonstrated, the treatment of "uncapped" values or the "pop up" amount when a property is transferred or sold as growth on existing property subject to the Headlee rollback calculation has resulted in continued downward pressure on millage rates. This treatment is due to definitional changes made to the General Property Tax Act in 1994.

The three bills in the package are House Bills 4440, 4441, and 4442 and would propose to do the following:

- House Bill 4440 This bill establishes an 18 month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years.
- House Bill 4441 This bill increases the real estate transfer tax by .10% and earmarks the money to be returned to local government for potential loss in revenue occurring from House Bill 4440.
- House Bill 4442 This bill would change the General Property Tax Act to exempt the “pop-up” or “uncapped” value from the Headlee rollback calculation. If this legislation were enacted, increases in taxable value resulting from property sales or transfers would be treated as “additions” to taxable value or new growth versus growth on existing property.

House Bills 4440 and 4441 passed the House on March 14 (HB 4440 has been assigned to the Senate Finance Committee). House Bill 4442 has not been voted on yet in the House. The bills are not tie barred.

Bonding to Fund Liability for Other Post Employment Benefits (Updated September 2006)

The day quickly approaches for local governments to measure the liability for non-pension benefits granted to government employees at retirement (most notably retiree health care). Once these benefits are measured, local governments will face the tough choice of advance funding these benefits (which some are doing now), remain on a pay-as-you go plan (which is the path for most local governments) or a combination thereof. To provide local governments with additional funding options, legislation was introduced in 2006 which would allow for bonding as a funding tool. The legislation was passed by the Michigan Legislature and vetoed by the Governor. The legislation is likely to be reconsidered in 2007.

Municipal Finance Act Revisions – REMINDER

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township’s year end December 31, 2006 and is good for one year thereafter. The Township should consider the need to file a qualifying statement for each of its component units.

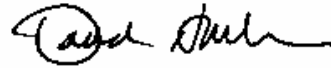
1. Payroll Register Review

During our audit it was noted during our discussions of payroll procedures that while all copies of the payroll checks (or pay stubs in the case of direct deposits) are provided to the Clerk and Treasurer for their review and signature, a copy of the payroll register is not provided to them as a part of the process. In an effort to further strengthen internal controls, we recommend the Township provide the payroll register to the Clerk and Treasurer for their review when signing payroll checks so that they can assure that all transactions for payroll have been presented to them for review and signature.

We would like to thank the Township personnel for the courtesy and assistance extended to us during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Tadd Harburn", written in a cursive style.

Tadd A. Harburn, CPA
Partner